

TOWN OF CORNISH

Compiled Financial Statements

For the Year Ended June 30, 2012

TABLE OF CONTENTS

	Page Number
<u>Financial Section:</u>	
Independent Accountant's Compilation Report	1
Management's Discussion and Analysis	2
<u>Basic Financial Statements:</u>	
Statement of Net Assets	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Assets – Proprietary Fund	14
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to Financial Statements	17
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule – General Fund	31

MATTHEW REGEN, CPA, PC

Certified Public Accountant/Business Consultant

P.O. Box 6393 • Logan, Utah 84341
Office (435) 752-4864 • Fax (435) 752-0329
Cell (435) 770-5403 • matt@regencpa.com

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Mayor and Town Council
Town of Cornish
Cornish, Utah

I have compiled the accompanying financial statements of the governmental activities, and business-type activities and each major fund of the Town of Cornish (the Town) as of and for the year ending June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Town is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The management's discussion and analysis and budgetary comparison information, on pages 2 through 7 and 31, are presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information and accordingly, I do not express an opinion or provide any assurance on such supplementary information.

MATTHEW REGEN, CPA, PC



September 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Cornish (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets (government and business-type activities) of the Town increased during fiscal year 2012 by \$25,206 to a total of \$1,230,641. The governmental net assets increased by \$10,696 and the business-type net assets increased by \$14,510.
- The total net assets (government and business-type activities) of the Town consist of \$1,024,044 in capital assets, net of related debt, \$58,152 in restricted assets, and \$148,445 in unrestricted net assets.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges business-type activities). The governmental activities of the Town include general government, public safety, parks and recreation, and public works. The business-type

See independent accountant's compilation report.

activities of the Town include the water utility. The government-wide financial statements can be found on pages 8 and 9 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** - The Town maintains only one proprietary fund, an enterprise fund, to account for its culinary water utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water Fund meets the criteria for major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town currently has no fiduciary funds.

See independent accountant's compilation report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$1,230,641.

By far, the largest portion of the Town's net assets (84 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Assets and the Statement of Activities:

STATEMENT OF NET ASSETS

		Governmental Activities			Business-type Activities		
		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$	120,189	84,461	65,043	116,206	206,982	207,446
Capital assets		90,572	102,817	115,061	1,139,893	1,168,425	1,201,858
Total assets		<u>210,761</u>	<u>187,278</u>	<u>180,104</u>	<u>1,256,099</u>	<u>1,375,407</u>	<u>1,409,304</u>
Current liabilities		35,197	22,410	29,564	21,963	22,834	22,781
Noncurrent liabilities		-	-	-	179,000	312,006	332,950
Total liabilities		<u>35,197</u>	<u>22,410</u>	<u>29,564</u>	<u>200,963</u>	<u>334,840</u>	<u>355,731</u>
Invested in capital assets, net of debt		90,572	102,817	115,061	933,472	947,425	959,858
Restricted		34,338	21,151	3,582	23,814	23,814	23,783
Unrestricted		50,654	40,900	31,897	97,791	69,328	69,932
Total net assets	\$	<u><u>175,564</u></u>	<u><u>164,868</u></u>	<u><u>150,540</u></u>	<u><u>1,055,077</u></u>	<u><u>1,040,567</u></u>	<u><u>1,053,573</u></u>

See independent accountant's compilation report.

CHANGES IN NET ASSETS

	Governmental Activities			Business-type Activities		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 16,971	17,348	21,098	88,445	61,638	60,916
Capital grants	22,033	17,662	17,027	-	-	-
Operating grants	-	138	659	-	-	-
General revenues:						
Property taxes	30,516	27,676	25,602	-	-	-
Other taxes	28,458	25,697	25,237	-	-	-
Investment income	1,013	275	258	-	-	-
Other revenues	120	65	98	522	441	404
Total revenues	99,111	88,861	89,979	88,967	62,049	61,320
Expenses:						
General government	37,368	32,422	54,941	-	-	-
Public safety	1,916	1,630	1,978	-	-	-
Streets and public improvements	35,338	27,651	101,455	-	-	-
Parks and recreation	13,793	12,830	10,809	-	-	-
Water utility	-	-	-	74,457	75,055	84,751
Total expenses	88,415	74,533	169,183	74,457	75,055	84,751
Change in net assets	10,696	14,328	(79,204)	14,510	(13,006)	(23,431)
Net assets – beginning	164,868	150,540	229,744	1,040,567	1,053,573	1,077,004
Net assets – ending	\$ 175,564	164,868	150,540	1,055,077	1,040,567	1,053,573

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$84,992, an increase of \$22,941 over the prior year. The entire fund balance is restricted or assigned for future capital expenditures.

See independent accountant's compilation report.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 62 percent of total general fund revenues. The two largest elements of taxes are sales and property taxes. Combined, they represent 98 percent of total tax revenues and 61 percent of total general fund revenues.

The Town maintains an enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenues was \$97,340. The actual revenue was \$99,111. This resulted in a favorable variance of \$1,771 for revenue. The General Fund budget for expenditures was \$77,100. The actual expenditures were \$76,170. This resulted in a favorable variance of \$930 for expenditures. Overall, the Town had a favorable variance for the excess of revenues over expenditures of \$2,701.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$1,224,103 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the Town's investment in capital assets for the current fiscal year was \$0 and depreciation expense was \$47,692.

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt – On June 30, 2012, the Town had total debt outstanding of \$200,000 which consists of a water revenue bond used to improve the water system.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this financial report.

See independent accountant's compilation report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Town of Cornish, 14300 N 4788 W, Cornish, Utah, 84308.

See independent accountant's compilation report.

TOWN OF CORNISH
STATEMENT OF NET ASSETS
JUNE 30, 2012

<u>Assets</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 86,335	108,719	195,054
Receivables, net	33,854	7,487	41,341
Fixed assets, net	90,572	1,133,472	1,224,044
Deferred issue costs, net	-	6,362	6,362
Total assets	210,761	1,256,040	1,466,801
<u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued expenses	7,276	963	8,239
Deferred revenue	27,921	-	27,921
Bonds payable:			
Due in less than one year	-	21,000	21,000
Due in more than one year	-	179,000	179,000
Total liabilities	35,197	200,963	236,160
<u>Net Assets</u>			
Investments in capital assets, net of related debt	90,572	933,472	1,024,044
Restricted:			
Bond reserve	-	23,814	23,814
Capital outlay	34,338	-	34,338
Unrestricted	50,654	97,791	148,445
Total net assets	\$ 175,564	1,055,077	1,230,641

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 37,368	447	-	-	(36,921)	-	(36,921)
Sanitation	19,681	15,190	-	-	(4,491)	-	238
Public safety	1,916	2,154	-	-	238	-	6,376
Streets and public improvements	15,657	-	22,033	-	6,376	-	(13,478)
Parks and recreation	13,793	315	-	-	(13,478)	-	(43,785)
Total governmental activities	88,415	18,106	22,033	-	(48,276)	-	13,988
Business-type activities:							
Water fund	74,457	88,445	-	-	-	13,988	13,988
Total business-type activities	74,457	88,445	-	-	-	13,988	(29,797)
Total primary government	\$ 162,872	106,551	22,033	-	(48,276)	13,988	
General revenues:							
Taxes:							
Sales and use tax					28,163	-	28,163
Property tax					30,516	-	30,516
Total taxes					58,679	-	58,679
Interest income					293	522	815
Total general revenues					58,972	522	59,494
Change in net assets					10,696	14,510	25,206
Net assets - beginning					164,868	1,040,567	1,205,435
Net assets - ending					\$ 175,564	1,055,077	1,230,641

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>Assets</u>	General Fund	Total Governmental Funds
Pooled cash and cash equivalents	\$ 86,335	86,335
Receivables, net	<u>33,854</u>	<u>33,854</u>
Total assets	<u><u>120,189</u></u>	<u><u>120,189</u></u>
<u>Liabilities and Fund Equities</u>		
Liabilities:		
Accounts payable and accrued liabilities	7,276	7,276
Deferred revenue	<u>27,921</u>	<u>27,921</u>
Total liabilities	<u>35,197</u>	<u>35,197</u>
Fund equity:		
Fund balances		
Restricted - Capital outlay	34,338	34,338
Unassigned	<u>50,654</u>	<u>50,654</u>
Total fund equity	<u>84,992</u>	<u>84,992</u>
Total liabilities and fund equity	<u><u>\$ 120,189</u></u>	<u><u>120,189</u></u>

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances for governmental funds	\$	84,992
--	----	--------

Net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Furniture and equipment	\$	10,811	
Buildings and infrastructure		91,120	
Road improvements		447,362	
Accumulated depreciation		<u>(458,721)</u>	<u>90,572</u>

Net assets of governmental activities	\$	<u><u>175,564</u></u>
---------------------------------------	----	-----------------------

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Total Governmental Funds
Revenues:		
Taxes	\$ 58,679	58,679
Intergovernmental	22,033	22,033
Charges for services	16,971	16,971
Miscellaneous revenues	1,015	1,015
Investment income	293	293
Licenses	120	120
	<hr/>	<hr/>
Total revenues	99,111	99,111
	<hr/>	<hr/>
Expenditures:		
General government	34,853	34,853
Sanitation	19,681	19,681
Parks and recreation	11,480	11,480
Streets and public improvements	8,240	8,240
Public safety	1,916	1,916
	<hr/>	<hr/>
Total expenditures	76,170	76,170
	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	22,941	22,941
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing uses over expenditures and other financing uses	22,941	22,941
	<hr/>	<hr/>
Fund balance - beginning of year	62,051	62,051
	<hr/>	<hr/>
Fund balance - end of year	\$ 84,992	84,992
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balance - Total governmental funds	\$ 22,941
---	-----------

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which depreciation of \$12,245 exceeded
capital outlays of \$0 in the current year.

(12,245)

Changes in net assets of governmental activities	\$ <u>10,696</u>
--	------------------

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
JUNE 30, 2012

<u>Assets</u>	<u>Water Fund</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 108,719	108,719
Receivables, net	7,487	7,487
Fixed assets, net	1,133,472	1,133,472
Deferred issue costs, net	6,362	6,362
	<hr/>	<hr/>
Total assets	1,256,040	1,256,040
	<hr/>	<hr/>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	963	963
Bonds payable:		
Due in less than one year	21,000	21,000
Due in more than one year	179,000	179,000
	<hr/>	<hr/>
Total liabilities	200,963	200,963
	<hr/>	<hr/>
<u>Net Assets</u>		
Investments in capital assets, net of related debt	933,472	933,472
Restricted - Bond reserve	23,814	23,814
Unrestricted	97,791	97,791
	<hr/>	<hr/>
Total net assets	\$ 1,055,077	1,055,077
	<hr/>	<hr/>

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund	Total Business- type Activities
Operating revenues:		
Services	\$ 88,445	88,445
Total operating revenues	<u>88,445</u>	<u>88,445</u>
Operating expenses:		
Current expenses	38,614	38,614
Depreciation and amortization	<u>35,843</u>	<u>35,843</u>
Total operating expense	<u>74,457</u>	<u>74,457</u>
Operating income	13,988	13,988
Non-operating income:		
Interest income	<u>522</u>	<u>522</u>
Total non-operating income	<u>522</u>	<u>522</u>
Change in net assets	14,510	14,510
Net assets - beginning of year	<u>1,040,567</u>	<u>1,040,567</u>
Net assets - end of year	\$ <u><u>1,055,077</u></u>	<u><u>1,055,077</u></u>

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund	Total Business- type Activities
<u>Cash flows from operating activities:</u>		
Receipts from customers and others	\$ 85,163	85,163
Payments to suppliers	(39,485)	(39,485)
Net cash provided by operating activities	45,678	45,678
<u>Cash flows from non-capital financing activities</u>	-	-
<u>Cash flows from capital and related financing activities:</u>		
Payoff land retainage	(112,500)	(112,500)
Principle payments on bonds	(21,000)	(21,000)
Net cash used in capital and related financing activities	(133,500)	(133,500)
<u>Cash flows from investing activities:</u>		
Interest on investments	522	522
Net cash provided by investing activities	522	522
Net decrease in cash and cash equivalents	(87,300)	(87,300)
Cash and cash equivalents at beginning of year	196,019	196,019
Cash and cash equivalents at end of year	\$ 108,719	108,719
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 13,988	13,988
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	35,843	35,843
Change in assets and liabilities:		
Increase in accounts receivable	(3,282)	(3,282)
Decrease in accounts payable and accrued liabilities	(871)	(871)
Total adjustments	31,690	31,690
Net cash provided by operating activities	\$ 45,678	45,678

See accompanying notes and independent accountant's compilation report.

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Town of Cornish, (the Town) was incorporated in 1907 under the laws of the state of Utah. The Town operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety, highway and streets, recreation, public improvements, planning and zoning, and general administration. In addition, the Town owns and operates a water utility.

The accounting and reporting policies of the Town relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The Town has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements.

The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Town.

The Town reports the following major governmental fund:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the Town's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 to 40 years
Water system and equipment	7 to 50 years
Furniture and equipment	5 to 7 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Deferred Revenues

In the government-wide statements and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recognized when revenue is either unearned or unavailable.

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds and notes payable.

Long-term debt for the governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same as in the fund statements as in the government-wide statements.

Equity Classifications: Government-wide Financial Statements

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets – Consists of net assets with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity Classifications: Fund Financial Statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2011. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

- b. Restricted fund balances – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the Town Council, likewise, formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the Town Council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the General Fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless Town Council has provided otherwise in its commitment or assignment actions.

Property Taxes

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Summary of Significant Accounting Policies (continued)

not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Subsequent Events

The Town has evaluated all subsequent events through September 15, 2012, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

The Town follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of Town’s funds in a “qualified depository”. The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, none of the Town’s bank balances were uninsured and/or uncollateralized.

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 – Deposits and Investments (continued)

Investments

The Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may only be conducted through qualified depositories, certified dealers or directly with the issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service or Standards & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in money market mutual fund as defined by the Act; and the Utah State Public Treasurer’s Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act established by the Money Management Council which oversees the activities of the state treasurer and the PTIF, and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administrations fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The Town’s investments on June 30, 2012, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$62,376</u>	<u>\$62,376</u>	Unrated

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 – Deposits and Investments (continued)

Interest Rate Risk – Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations of 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have remaining term to final maturity exceeding two years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. See the quality ratings on the investment schedules above.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk in regard to the custody of the Town's investments.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

Note 3 – Legal Compliance – Budgets

On or before the first scheduled Town council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changes by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 – Legal Compliance – Budgets (continued)

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 4 – Receivables

The Town has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2012, as follows:

General Fund:

Property taxes	\$ 27,921
Class C Roads	4,722
Garbage	1,105
911	<u>106</u>
Total receivables	\$ <u><u>33,854</u></u>

Water Fund:

Accounts:	
Services and fees, net of bad debt	\$ <u>7,487</u>
Total receivables	\$ <u><u>7,487</u></u>

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2012, are as follows:

	July 1, 2011	Additions	Deletions	June 30, 2012
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 12,750	-	-	12,750
Total capital assets not being depreciated	12,750	-	-	12,750
Capital assets being depreciated:				
Buildings and improvements	78,370	-	-	78,370
Furniture and equipment	10,811	-	-	10,811
Road improvements	447,363	-	-	447,363
Total capital assets being depreciated	536,544	-	-	536,544
Accumulated depreciation for:				
Buildings and improvements	(44,262)	(4,828)	-	(49,090)
Furniture and equipment	(10,811)	-	-	(10,811)
Road improvements	(391,404)	(7,417)	-	(398,821)
Total accumulated depreciation	(446,477)	(12,245)	-	(458,722)
Total capital assets being depreciated, net	90,067	(12,245)	-	77,822
Total governmental activities				
Capital assets, net	\$ 102,817	(12,245)	-	90,572

Depreciation expense was charged to functions of the Town as follows:

General government	\$ 2,515
Roads	7,417
Parks and recreation	2,313
Total depreciation expense	\$ 12,245

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 – Capital Assets (continued)

	July 1, 2011	Additions	Deletions	June 30, 2012
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 59,670	-	-	59,670
Total capital assets not being depreciated	59,670	-	-	59,670
Capital assets being depreciated:				
Water system	1,709,274	-	-	1,709,274
Buildings and Equipment	36,650	-	-	36,650
Total capital assets being depreciated	1,745,924	-	-	1,745,924
Accumulated depreciation for:				
Water system	(612,302)	(33,805)	-	(646,107)
Hydrants and Meters	(24,373)	(1,642)	-	(26,015)
Total accumulated depreciation	(636,675)	(35,447)	-	(672,122)
Total capital assets being depreciated, net	1,109,249	(35,447)	-	1,073,802
Total business-type activities capital assets, net	\$ 1,168,919	(35,447)	-	1,133,472

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 6 – Long-term Debt

Long-term liability transactions for the fiscal year ended June 30, 2012, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
Water Revenue Bond	\$ 149,000		(9,000)	140,000	9,000
Water Revenue Bond	72,000	-	(12,000)	60,000	12,000
Total business-type long-term liabilities	<u>\$ 221,000</u>	<u>-</u>	<u>(21,000)</u>	<u>200,000</u>	<u>21,000</u>

Business-type Activities

Long-term debt for business-type activities consists of the following:

Bonds payable

\$185,000 Water revenue bonds due to the State of Utah in annual payments ranging from \$9,000 to \$10,000. The bonds bear no interest and payments continue through 2027.

\$ 140,000

\$300,000 Water revenue bonds due to the State of Utah Drinking Water Board in annual installments of \$12,000. The bonds bear no interest and payments are made on January 1 of each year and continue through 2017.

Total Bonds Payable \$ 60,000
200,000

The following is a summary of the annual payments to maturity:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Totals</u>
2013	\$ 21,000	21,000
2014	21,000	21,000
2015	21,000	21,000
2016	21,000	21,000
2017	21,000	21,000
2018-2022	47,000	47,000
2023-2027	48,000	48,000
Totals	<u>\$ 200,000</u>	<u>200,000</u>

TOWN OF CORNISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 – Restricted Net Assets/Fund Balance Classifications

Restricted net assets represent amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2012 the Water Fund held \$23,814 for bond retirement.

Pursuant to GASB No. 54 (see Note 1, *Equity Classifications: Fund Financial Statements*) the governmental fund balances are classified as follows:

Restricted fund balance – \$34,338 for road construction and maintenance.

The remaining fund balance is unassigned.

Note 8 – Land Retainage

In 1979 the Town filed a lawsuit to obtain water rights to the Pearson and Griffiths Springs. In order to obtain the needed right of way to the spring, Cornish condemned a parcel of land and the property value, as determined by the courts, was placed in an escrow account and has remained intact with interest earned. This retainage amount was paid during the fiscal year 2012.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CORNISH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property tax	\$ 32,300	32,300	30,516	(1,784)
Sales tax	26,500	26,500	28,163	1,663
Intergovernmental	17,000	17,000	22,033	5,033
Charges for services	20,200	20,200	16,971	(3,229)
Miscellaneous revenues	850	850	1,015	165
Investment income	420	420	293	(127)
Licenses and permits	70	70	120	50
Total revenues	<u>97,340</u>	<u>97,340</u>	<u>99,111</u>	<u>1,771</u>
Expenditures:				
General government	34,900	34,900	34,853	47
Sanitation	20,000	22,000	21,597	403
Parks and recreation	9,700	11,700	11,480	220
Streets and public improvements	6,500	8,500	8,240	260
Total expenditures	<u>71,100</u>	<u>77,100</u>	<u>76,170</u>	<u>930</u>
Excess of revenues over expenditures	<u>26,240</u>	<u>20,240</u>	<u>22,941</u>	<u>2,701</u>
Other financing sources (uses):				
Increase in fund balance	(26,240)	(20,240)		
Excess of revenue and other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>-</u>	<u>22,941</u>	<u>2,701</u>
Fund balance - beginning of year	\$		<u>62,051</u>	
Fund balance - end of year	\$		<u>84,992</u>	

See accompanying notes and independent accountant's compilation report.